

Request for Proposals for Auditing Services

Section I	Introduction
Section II	Requestor Information
Section III	Proposal Contents
Section IV	Evaluation of Proposals

Exhibits:

I	Financial Statements of the Board of Water Commissioners
II	Financial Statements of the Board Retirement Plan
III	Financial Statements of the Section 457 Deferred Compensation Plan
IV	Financial Statements of the Section 401(k) Supplemental Retirement Savings Plan
V	Component Unit Format of Board Financial Statements
VI	Agreed-Upon Procedures Letter for Waste Disposal Sites
VII	Table of Organization
VIII	Contract Provisions
IX	Bidder/Contractor/Vendor/Proposer Disclosure

Request for Proposals for Auditing Services

I. INTRODUCTION

A. Summary:

The Board of Water Commissioners (“Board”) and Auditor's Office (“City Auditor”) of the City and County of Denver collectively referred to herein as "the City," are jointly requesting proposals for the provision of independent audit services for the Board. This Request for Proposals (“RFP”) details the scope of the engagement and the nature of services required, the reports or other items to be delivered under the engagement, and the format to be used for all proposals in response to this RFP.

B. Background:

The Charter of the City and County of Denver (“Charter”), Section 10.1.8, requires the Auditor of the City and County of Denver to audit the accounts of the Board at least annually. This requirement has been met through annual audits of the Board performed by Certified Public Accountants.

The Charter also establishes the five-member nonpolitical Board and gives them complete charge and control of the Denver water system and plant. In accordance with Charter Section 10.1.9, the Board sets water rates and charges sufficient to pay for operations, maintenance, reserves, debt service, additions, extensions, and betterments, including reserves required for major capital improvements. The Board members are appointed by the Mayor of the City and County of Denver for six year staggered terms. The Board appoints a Manager, who directs the Denver Water Department in its operation of the water system.

The contract arising from this RFP will be a joint contract with the Board and the City Auditor and meets the needs of both parties. The Board’s audited financial statements will be included in its annual comprehensive annual financial report (“CAFR”) and in offering statements in connection with the sale of bonds and certificates of participation. The Board is reported as a component unit of the City and County of Denver and is accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting in accordance with generally accepted accounting principles for government as promulgated by the Governmental Accounting Standards Board (“GASB”).

C. Bidding procedures:

1. Proposal submission:

Proposals shall be submitted in a sealed envelope, clearly identified as BID PROPOSAL FOR AUDITING SERVICES and mailed or delivered to:

David B. LaFrance
Director of Finance
Denver Water
1600 West 12th Avenue
Denver, CO 80204-3412

2. Requests for information:

Requests for clarification or additional information should be submitted in writing or by e-mail addressed to:

George Zervos
Accountant IV
Denver Water
1600 West 12th Avenue
Denver, Colorado 80204-3412
george.zervos@denverwater.org

Mike Clark
Director of Internal Audit
Office of the Auditor
201 W. Colfax Ave, Dept. 705
Denver, CO 80202
mike.clark@ci.denver.co.us

All questions will be answered at the pre-bid conference. Any other questions, and their answers, will be distributed to all interested parties.

3. Prebid conference:

The prebid conference will be on May 25, 2006, at 10:00 a.m., local time, in the Boardroom, 3rd Floor, Board of Water Commissioners, 1600 West 12th Avenue, Denver, Colorado 80204-3412.

4. Proposal due date:

All proposals must be in the possession of the Board by 10:00 a.m., local time, on June 9, 2006.

D. Terms and conditions:

General - Through this RFP, the City desires to solicit firm price quotations for the services of an Independent Auditor ("Accountant"). Services shall be as represented in Section II.

1. A duly authorized official of the bidding firm must sign the Bidder's Proposal. Three copies of the completed and signed proposal (together with required attachments) must be returned to the Board on or before the time and date of the bid due date as indicated at Section I.C.4.
2. The City shall have the right to reject any or all proposals; to waive any irregularities or informalities in any proposal; and to accept or reject any proposal in whole or in part.
3. No modifications to a proposal are permitted after the due date except at the City's discretion. The proposal, as submitted, will be the best and final offer.
4. Representatives of the Board and City Auditor will evaluate the proposals. The award will be made to the bidder whose proposal, based upon recommendation of the Board's Director of Finance and the City Auditor, is in compliance with the minimum qualifications, terms, and conditions as set forth herein and adjudged the best proposal, taking into consideration all aspects of the bidder's proposal. The Board and City Auditor will administer the contract.
5. Although the cost of services to be provided is an important criterion for the award, the City is not precluded from awarding the contract to a bidder whose overall proposal surpasses other proposals with a lower cost.
6. Upon completion of their evaluation and selection of the top-ranking proposals, the City representatives may conference with those selections to gather additional information and/or clarify submitted proposals.
7. By submitting a proposal, the bidder certifies that they have fully read and understand the RFP and have full knowledge of the scope, nature, quantity and quality of the services to be provided; and the terms and conditions under which the services are to be performed.
8. Any contract arising from this RFP is terminable by either party upon giving six months written notice to the other party stating the date of termination.
9. All costs incurred by the bidder in responding to this RFP shall be borne by the bidder.
10. A contract will be executed with the successful bidder and shall include applicable sections of this RFP and all representations made by the successful bidder's proposal. The effective period of the contract shall be three years beginning with the year ending December 31, 2006. The City shall at its option extend the agreement for up to two one year periods.

11. The Accountant shall comply with all applicable laws, rules, and regulations, including, but not limited to, the Colorado Workers' Compensation Act and all Federal and State tax laws. Because the Accountant will be acting as an independent contractor, the City assumes no responsibility for the Accountant's acts. The Accountant agrees to comply with all State and Federal laws with regard to Equal Employment opportunity.
12. All prices under this RFP shall be firm and fixed for the years of the agreement.
13. No contract shall be made by the Accountant with any other party for furnishing any of the work or services herein contained without the prior approval of the City; however, this provision shall not require the approval of contracts of employment between the contractor and personnel assigned for services there under.
14. The Board and City Auditor recognize the desirability, need and importance to the City and County of Denver of encouraging the development of Small Business Enterprises (SBEs) and Disadvantaged Business Enterprises (DBEs). The Accountant agrees to make a good faith effort to involve SBEs and DBEs in the work if and when the opportunity arises.
15. The Denver Revised Municipal Code (DRMC) Section 20-69 requires officers, directors, owners or principals of business enterprises contracting with the City to disclose any political contributions made to candidates for City offices. The Accountant selected for this contract will be expected to comply with DRMC Section 20-69. (Exhibit IX)

II. REQUESTOR INFORMATION.

A. Requestor address and recipient of proposal:

1. The requestors are:

David B. LaFrance
Director of Finance
Denver Water
1600 West 12th Avenue
Denver, Colorado 80204-3412

Dennis J. Gallagher, Auditor
City and County of Denver
201 W. Colfax Ave., Dept. 705
Denver, Colorado 80202-5202

2. Questions regarding this RFP shall be in writing or by e-mail addressed to:

George Zervos
Accountant IV
Denver Water
1600 West 12th Avenue
Denver, Colorado 80204-3412
george.zervos@denverwater.org

Mike Clark
Director of Internal Audit
Office of the Auditor
201 W. Colfax Ave., Dept. 705
Denver, CO 80202
mike.clark@ci.denver.co.us

All questions will be answered at the pre-bid conference. Any other questions, and their answers, will be distributed to all interested parties.

3. Copies of proposals:

Interested bidders should supply three bound, sealed copies of their proposals by 10:00 a.m., local time, June 9, 2006, to:

David B. LaFrance
Director of Finance
Denver Water
1600 W. 12th Avenue
Denver, Colorado 80204-3412

4. Files:

All proposals submitted will become a part of the City's official files without obligation on the part of the City.

B. Services required:

1. Audits of the following entities:
 - a. Board of Water Commissioners
 - b. Employees' Retirement Plan and Trust of the Denver Board of Water Commissioners
 - c. Board of Water Commissioners Section 457 Deferred Compensation Plan
 - d. Board of Water Commissioners Section 401(k) Supplemental Retirement Savings Plan

2. Other services:

- a. Review of Component Unit Format of Board Financial Statements. These are the Board's basic financial statements reformatted for the City's CAFR. (A separate audit report, notes and exhibits are not required).
- b. Agreed-Upon Procedures Letter for Waste Disposal Sites. This is a requirement of the Colorado Department of Health and Environment. (See Board of Water Commissioner's audit report note 10).
- c. If required by the Accountant, review of Board's CAFR and debt offering statements which contain the financial statements audited by the Accountant.
- d. The Board currently receives no federal awards. If the Board should receive any federal awards in the amount of \$500,000 or more in the future, a report will be required on compliance with the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. As outlined in III.C.2. below, the fee for the Single Audit should be stated separately from the all-inclusive maximum fee.

3. Type of audit required:

An examination of the financial statements in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

4. Period to be audited:

The Accountant will examine financial statements and records for the years ending December 31, 2006 through December 31, 2008 and provide minor financial and accounting services related to the audit, during the period October 1, 2006 through June 30, 2009. The City shall at its option extend the agreement for up to two one year periods.

5. The Accountant is expected to attend the Board meeting at which the financial statements are presented to make a short verbal summation.

6. The Accountant is expected to brief the City Auditor on the results of the audits.

C. Description of entity and records to be audited:

1. General:

The Accountant shall make an examination in accordance with generally accepted auditing standards and will include such tests of the accounting records and procedures as considered necessary to render an opinion thereon.

2. Accounting basis:

The Board has consistently maintained its records in accordance with generally accepted accounting principles as established by the GASB.

3. Computer software, systems and records:

- a. The Board currently uses PeopleSoft EnterpriseOne (formerly JD Edwards OneWorld) general ledger, fixed assets, capital projects, accounts payable, purchase order, and inventory control systems, using client-server technology. It also uses automated accounts receivable, payroll, labor distribution, and systems from other vendors or developed in-house. Manuals and procedures are available on the systems, as well as, proficient supervisors and technical employees to provide guidance.

- b. Records:

All records are maintained at 1600 West 12th Avenue and available during normal work hours. Special work may be scheduled outside of normal hours as required.

4. Prior year's reports:

The following reports as of December 31, 2005 have been made available with this RFP:

- a. Board of Water Commissioners (Exhibit I)
- b. Employees' Retirement Plan and Trust of the Denver Board of Water Commissioners (Exhibit II)
- c. Section 457 Deferred Compensation Plan (Exhibit III)

d. Section 401(k) Supplemental Retirement Savings Plan (Exhibit IV)

Other information may be made available at the pre-bid conference including special requests, or can be found on Denver Water's web site (www.denverwater.org).

D. Assistance available to proposer:

1. Prior audits:

The Accountants for the year ended December 31, 2005 were Grant Thornton, LLP, who are in possession of the working papers for that year. Grant Thornton, LLP, performed audits for the years beginning December 31, 2002 to December 31, 2005. All opinions rendered have been unqualified.

2. Staff assistance:

- a. The Board's accounting staff will be available during any audit periods to provide reasonable assistance, including schedule preparation, document reproduction, typing, and document retrieval.
- b. The Board's computer hardware and software will be made available if they can be used. In addition, the Board will use its hardware for the Accountant's software if possible and requested by Accountant.
- c. In-house legal counsel is available to discuss the legal significance of questions arising during the audit.

3. Representation letter:

The Board will give a general representation and a legal representation letter. The Manager, Director of Finance, and Manager of Accounting will sign the general representation letter. The Board's General Counsel will sign the legal representation letter.

4. Work area:

A work area will be provided for the Accountants in close proximity to the accounting section and records area of the Board.

E. Report requirements:

The Accountant will examine and audit the four entities described in section II.B.1 above in accordance with generally accepted auditing standards, including such tests of the accounting records as are considered necessary for the issuance of the Independent Accountant's Report thereon.

1. Audit Reports:

The Accountant shall prepare written reports of their audit and examination in accordance with generally accepted auditing standards. These reports shall include the following:

- a. Financial Statements of the Board with Independent Auditor's Report to be furnished on or before the last business day of March 2007, 2008 and 2009. (Exhibit I)
- b. Financial Statements of the Board's Retirement Plan to be furnished on or before the last business day of March 2007, 2008 and 2009. (Exhibit II)
- c. Financial Statements of the Board's 401(k) and 457 plans to be furnished on or before the last business day of March 2007, 2008 and 2009. Separate reports for each plan or a combined report may be prepared at the discretion of the Accountant. (Exhibits III and IV)

2. Other Reports:

- a. Component Unit Format of Board's basic financial statements to be furnished on or before the last business day of March 2007, 2008 and 2009. (Exhibit V)
- b. Agreed-Upon Procedures Letter for Waste Disposal Sites to be furnished on or before the last business day of April 2007, 2008 and 2009. (Exhibit VI)

3. Delivery of reports:

The reports included in the preceding section should be addressed to the Honorable Dennis J. Gallagher (or successor), Auditor, and the Board of Water Commissioners and be delivered to:

George Zervos, Accountant IV
Denver Water
1600 West 12th Avenue
Denver, Colorado 80254-3412

4. Management letter:

For the Board audit, it is required that the Accountant prepare a management letter or memorandum to the Board setting forth the Accountant's comments on the Board's financial and accounting policies, procedures and internal controls, including such recommendations for changes or improvements in said internal systems as may be deemed appropriate by the Accountant. This is optional at the discretion of the Accountant for the Retirement, 401(k) and 457 plans.

The management letter shall be delivered annually on or before the last business day of March 2007, 2008, and 2009.

F. Time considerations and requirements:

1. Pre-bid conference May 25, 2006, 10:00 a.m.
2. Proposals due June 9, 2006, by 10:00 a.m. Proposals must be open for 45 days after bid opening date.
3. Anticipated audit dates first year:
Preliminary work may start at the discretion of Accountant.
Final work should begin in late February to March 2007.

G. Contractual arrangements:

1. Period of contract:

The City will issue a contract for an examination and audit for the years 2006, 2007, and 2008, with the option to extend for two one-year periods, with normal financial and accounting services related to the audit through July of the final year.

2. Contract requirements:

Exhibit VIII to this RFP contains the standard City contract provisions currently in place with the firm that most recently performed this audit. The City expects provisions similar to these to become part of the contract with the selected firm.

H. Report review, timing and number of copies:

1. Report review:

Prior to issuance, the Accountant's staff will be required to review a draft of the proposed reports and management letter with the Board's Director of Finance (and selected staff) and the City Auditor (jointly or separately).

2. Timing:

For timing of reports submission, see Section II.E.1.

3. Copies required (subject to change):

a. Board of Water Commissioner's Financial Statements - 80

b. Board's Retirement Plan - 25

I. Work Papers:

All working papers for each year audited shall be retained by the audit firm for a period of at least three (3) years unless notified in writing by the City of the need to extend the retention period. Work papers shall be made available to the City upon request within a reasonable amount of time. In addition, the Accountant shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

J. Right to Reject:

The City reserves the right to reject any and all proposals submitted and to request additional information from submitters of proposals. The award will be made based upon the recommendation of the Board's Director of Finance and the City Auditor.

III. PROPOSAL CONTENTS

A. Title page:

Indicate the proposed subject, the proposer's firm, local address, telephone number, name of individual to contact, and the date.

B. Table of contents:

Include a clear identification of the material by section and page number.

C. Letter of transmittal (limit to one or two pages):

1. Briefly state the proposer's understanding of the work to be completed and make a positive commitment to perform the work within the time period allotted.
2. State an all-inclusive maximum fee and estimated hours for each of the five years 2006, 2007, 2008, 2009 and 2010, excluding any Single Audit work. The fee for any Single Audit Act and OMB Circular A-133 reports should be stated separately from the maximum fee.

The total all-inclusive maximum fee to be bid is to contain all direct and indirect costs, including out-of-pocket expenses to perform the services outlined in Section II.B., excluding II.B.2.d. regarding the Single Audit.

After the end of the calendar year audited, progress payments will be made on the basis of hours of work completed during the course of the engagement. Interim billing shall cover a period of not less than a calendar month. Ten percent (10%) of the total all-inclusive maximum fee will be withheld pending delivery of the Accountant's final reports.

3. State the names of the individuals who will be authorized to make representations for the proposer, their titles, addresses and telephone numbers.
4. State that the person signing the letter is authorized to bind the proposer.

D. Profile of the proposer:

1. State whether the firm is local, regional, national or international.
2. State the location of the office from which the work will be accomplished and the number of partners, managers, supervisors, seniors, and other professional staff employed at that office.
3. Describe the range of activities performed by the proposer office, such as auditing, accounting, tax services, or management services.
4. Describe the local office's capability to audit computerized systems, including the number and classifications of personnel skilled in computer sciences who will work on the audit.

E. Mandatory information:

1. Affirm that the proposer is a properly licensed Certified Public Accountant in the State of Colorado.
2. Include an acknowledgement of your familiarity with and agreement to the provisions of Exhibit VIII, "Contract Provisions."
3. Include an acknowledgement that the audited financial statements will be used in the Board's CAFR and in connection with the sale of Board debt securities and will be included in the offering statements for those securities. Describe your review requirements, if any, for these uses. (The fee for review requirements for both the CAFR and debt offering statements should be included in the all-inclusive maximum fees in III.C.2 above).

F. Summary of qualifications:

1. Identify the partners, managers, supervisors, and staff who will work on the audit, including individuals from other than the local office. Resumes, including relevant utility and governmental experience, and continuing education for each supervisory person to be assigned to the audit, should be included.
2. Describe recent local or regional office utility and government auditing experience similar to the type of audit requested herein, and give the names and telephone numbers of client officials responsible for at least three of the audits listed.

G. Approach to the examination:

Submit a work plan to accomplish the scope defined in Section II.E of these guidelines. The work plan should include time estimates for each significant segment of the work and the staff level to be assigned. Individual staff members should be named, where possible. The planned use of specialists, if any, should also be specified.

H. Compensation:

State the total hours and hourly rate required by staff classification and the resulting all-inclusive maximum fee for which the requested work will be done. State whether data processing will be used in the examination and, if so, estimate the data processing resources the Board will need to supply in terms of computer time, operator time, and programmer time.

I. Rates for additional professional services:

If it should become necessary for the City to request the Accountant to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendation included in any report issued on this engagement, then such additional work shall be performed only if set forth in an amendatory agreement to the contract between the City and the Accountant, executed in the same manner as the contract. Any such additional work agreed to between the City and the Accountant shall be performed at the same rates set forth in Section III.C.2 above.

J. Additional data:

Since the preceding sections are to contain only data that is specifically requested, any additional information considered essential to the proposal should be included in this section. The proposer's general information publications, such as directories or client lists, should not be included unless specifically requested. If there is no additional information, state "There is no additional information we wish to present."

IV. EVALUATION OF PROPOSALS

The following factors, listed in no particular order of importance, will be considered in the evaluation of the Accountant's technical proposal. The City, however, will not be limited to these factors. The proposal must clearly give in sufficient detail information to enable evaluation based on these factors. Although some factors may be weighted more heavily than others are, all factors are considered necessary for evaluation of technical acceptance. Therefore, the Accountant must be technically acceptable in each area to be eligible for the award.

A. Personal qualifications/technical resources:

This factor will be used to evaluate the qualifications of the proposer, as they relate to the requirements set forth in this proposal. The criteria to be scored within this factor are:

1. The experience and educational background of the proposed professionals and the extent to which these professionals are "in-house" employees.
2. Availability of technical resources.
3. Corporate histories specifically identifying the length of time and positions held by the proposed principals and the resources available in the local office.

B. Management and organization:

Under this factor, consideration is given to the proposer's organizational structure. We will consider lines of management authority within the firm, most importantly, the project manager's access to the firm's top management and the firm's ability to respond expeditiously to the City's audit requirements.

C. Proposer's understanding of the requirements:

The proposal should demonstrate an understanding of the proposed project, as defined in this request for proposals.

D. Soundness and adequacy of approach:

The likelihood of successful results through application of the proposer's procedures and methods.

E. Check of references.

The overall total cost will be considered in this evaluation. Although cost is of lesser importance as an evaluation factor, it should not be ignored. The degree of its importance will increase with the degree of equality of the proposals and relation to the other factors on which selection is to be based.